

**TOWNSHIP OF OVID
BRANCH COUNTY, MICHIGAN**

FINANCIAL STATEMENTS

MARCH 31, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name TOWNSHIP OF OVID	County BRANCH
Audit Date 3/31/05	Opinion Date 6/15/05	Date Accountant Report Submitted to State: 8/5/2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) RUMSEY & WATKINS, P.C.			
Street Address 20 TIBBITS PLAZA		City COLDWATER	State MI
Accountant Signature <i>Rumsey & Watkins, P.C.</i>		ZIP 49036	Date

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Rumsey & Watkins, P.C.

Certified Public Accountants and Business Advisors

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INDEPENDENT AUDITOR'S REPORT

**To the Supervisor and
Members of the Township Board
Township of Ovid
Branch County, Michigan**

June 15, 2005

We have audited the accompanying financial statements of each major fund of the Township of Ovid as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit, also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The accompanying financial statements do not present government-wide financial statements to display the financial position and changes in the financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Township's governmental activities are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township of Ovid as of March 31, 2005 or the changes in its financial position for the year then ended.

To the Supervisor and
Members of the Township Board
Township of Ovid
Branch County, Michigan

June 15, 2005

The budgetary comparison schedule, as identified in the table of contents, is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Ovid's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not include a management's discussion and analysis, which would present an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

As described in Note A, the Township has implemented portions of a new financial reporting model, as required by the provisions of the GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, and the related statements as of April 1, 2004.


RUMSEY & WATKINS, P.C.

TOWNSHIP OF OVID
GOVERNMENTAL FUNDS
BALANCE SHEET
MARCH 31, 2005

	General Fund
ASSETS	
Cash and cash equivalents	\$ 445,892
Investments	105,000
Taxes receivable	11,440
Special assessment receivable	23,184
Due from other funds	<u>1,637</u>
Total assets	<u><u>\$ 587,153</u></u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Due to others	\$ 100,310
Deferred revenue	<u>23,184</u>
Total liabilities	123,494
FUND BALANCE	
Undesignated	<u>463,659</u>
Total liabilities and fund balance	<u><u>\$ 587,153</u></u>

See Notes to Financial Statements

TOWNSHIP OF OVID
GOVERNMENTAL FUNDS
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2005

	General Fund
REVENUES	
Taxes	\$ 94,489
Tax administration fee	43,803
Special assessments	43,191
Licenses and permits	30,930
State shared revenue	160,737
Charges for services	2,175
Interest earned	6,045
Reimbursements	7,003
Other	1,677
	<hr/>
Total revenues	390,050
EXPENDITURES	
General government	135,192
Public safety	74,344
Public works	96,229
Debt service	124,617
	<hr/>
Total expenditures	430,382
	<hr/>
Excess (deficiency) of revenues over expenditures	(40,332)
FUND BALANCE - BEGINNING	<hr/> 503,991
FUND BALANCE - ENDING	<hr/> <hr/> \$ 463,659

See Notes to Financial Statements

TOWNSHIP OF OVID
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET ASSETS
MARCH 31, 2005

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 1,637
LIABILITIES	
Due to other funds	\$ 1,637

See Notes to Financial Statements

TOWNSHIP OF OVID
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Ovid conform to generally accepted accounting principles of the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

REPORTING ENTITY:

The Township operates under an elected board of five members and provides primarily fire protection and road maintenance and construction to the local residents. The financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. The criteria includes oversight responsibility, scope of public service and special financing relationships. There were no component units considered, under this criteria, to be included in these financial statements.

FUND FINANCIAL STATEMENTS:

Separate financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION:

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, claims and judgments are recorded when payment is due.

The Township reports the following governmental funds:

General Fund is the operating fund of the Township. It is used to account for all the Township's financial resources not required to be accounted for in another fund.

TOWNSHIP OF OVID

**NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED MARCH 31, 2005**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT
PRESENTATION: – Continued**

Additionally, the Township reports the following fund types:

Agency Funds are used to account for assets held in trust or as an agent for others.

ASSETS, LIABILITIES, AND NET ASSETS

Cash and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Capital Assets - The Township implemented portions of the new financial model, as required by the provisions of GASB 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments ("GASB 34"). A portion of GASB No. 34 not implemented by the Township is the government-wide financial statements which display the full accrual financial position and changes in financial position of its government activities. Since the Township did not present government-wide financial statements, the governmental activities capital assets are not reported within the Township's financial statements as of March 31, 2005.

Fund Balance - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The Township does not have any reserved or designated fund balances.

Accounting Change - In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. The Township has implemented portions of GASB 34.

However, the Township did not present government-wide financial statements to display the financial position and changes in financial position using full accrual accounting for all the Township's activities. These statements would present the Township's governmental activities. In addition, the Township did not include a management's discussion and analysis, which would present an analysis of the financial performance for the year.

Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in the government-wide financial statements for the Township's governmental activities are not reasonably determinable. The Governmental Accounting Standards Board has determined that the management's discussion and analysis is necessary to supplement, although not required to be part of, the basic financial statements.

TOWNSHIP OF OVID

**NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED MARCH 31, 2005**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ASSETS, LIABILITIES, AND NET ASSETS – Continued

Accounting Change – Continued

Because of the effects of the matter discussed in the preceding paragraphs, the Township's financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township of Ovid as of March 31, 2005 or the changes in its financial position for the year ended.

BASIS OF BUDGETING:

The Township adopted their annual budget based on the modified accrual method of accounting. Expenditures were estimated by functional level. The Township did not include a beginning fund balance within the approved budget. Once a budget is approved it can be amended at the functional level. Amendments are presented to the Board at their regular meetings. Each amendment must have Board approval. Such amendments are reflected in the official minutes of the Board, and are not made after fiscal year end as dictated by law. Revisions to the budget were made during the year.

ENCUMBRANCE ACCOUNTING:

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year end and outstanding encumbrances at year end may be reappropriated in the next year. No reservation of fund balance equal to outstanding encumbrances at year end is required.

USE OF ESTIMATES:

The Township uses estimates and assumptions in the preparation of the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenditures.

TOWNSHIP OF OVID

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED MARCH 31, 2005

NOTE B - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government of Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involve no more than 50 percent of any one fund; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

The Township has designated financial institutions for the deposit of Township funds and has authorized the investment in certificates of deposit. The accounts maintained are checking, savings and certificates of deposit and are in accordance with statutory authority. The interest rates of the checking and savings accounts are at variable daily rates. The certificates of deposit are currently earning interest rates of 1.70 to 2.67%.

Investments consist of certificate of deposits with an original maturity date of greater than three months. The investments are carried at cost which approximates market value.

At March 31, 2005, the carrying amount of the Township's deposits was \$552,529 and the bank balance was \$559,117. The differences between the balances are the result of deposits in transit and checks issued by the Township but not yet presented for payment. The risk exposure of the bank balance at March 31, 2005 is as follows:

Insured	\$ 180,000
Uninsured	<u>379,117</u>
Total cash and investments	<u>\$ 559,117</u>

TOWNSHIP OF OVID

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED MARCH 31, 2005

NOTE C – TAXES RECEIVABLE

The Township is a general law township and levies property taxes on December 1 of each year. They are collected by the Township's treasurer from December 1 to February 28.

Taxes receivable represent real property taxes and administrative fees returned delinquent to the County of Branch. The real property taxes and administrative fees in the amount of \$11,440 will be paid to the Township by the County of Branch in April 2005.

NOTE D – SPECIAL ASSESSMENT RECEIVABLE

A special assessment district has been established for road improvements. The General Fund of the Township is financing the construction and assessing the particular residents their cost of the improvements over a three year period plus 5% interest on the outstanding balance. In accordance with GASB #6, the special assessment receivable has been recorded in the General Fund. The special assessment receivable, at March 31, 2005, can be summarized as follows:

Current	\$ 7,728
Deferred	15,456
Total	<u>\$ 23,184</u>

The current and deferred special assessment receivable will be levied during the year ending 2006 and subsequent years and, therefore, is recorded as deferred revenue until levied and realizable.

NOTE E – LONG-TERM DEBT

Interest expense for the year ended March 31, 2005 amounted to \$637 in the General Fund.

The changes in long-term debt during the year ended March 31, 2005 may be summarized as follows:

	Balance April 1, 2004	Additions	Reductions	Balance March 31, 2005
Note payable	<u>\$ 123,980</u>	<u>\$ -</u>	<u>\$ 123,980</u>	<u>\$ -</u>

TOWNSHIP OF OVID

NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED MARCH 31, 2005

NOTE F – DUE FROM (TO) OTHER FUNDS

The due from (to) other funds, at March 31, 2005, for the Township is as follows:

General Fund:

Due from Tax Collection Fund	<u>\$ 1,637</u>
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NOTE G – PENSION PLAN

The Township maintains a defined contribution pension plan for substantially all employees. The plan, known as the Trustees of Ovid Township Pension Plan, is administered by an independent life insurance company. No employee contributions can be made to the plan.

The total covered payroll under the pension plan for 2005 amounted to \$59,971 compared to \$67,270 total 2005 payroll.

The Township is required to make annual contributions to the plan based on 25% of compensation for the year. The required contribution made to the plan for the year ended March 31, 2005 amounted to \$14,317.

NOTE H – COMMITMENTS

The Township has entered into an agreement with the Lakeland Volunteer Fire Department to provide fire protection at an annual expense of \$46,000 for the years ending 2006 through 2007.

NOTE I – RISK MANAGEMENT

The Township of Ovid is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries. The Township participates in two distinct pools of municipalities within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The Township pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subjected to a special assessment to make up the deficiency. Each of the pools maintain reinsurance for claims. The Township has not been informed of any special assessments being required. The Township continues to carry commercial insurance for other risk.

TOWNSHIP OF OVID

**NOTES TO FINANCIAL STATEMENTS – Continued
FOR THE YEAR ENDED MARCH 31, 2005**

NOTE J – COMPLIANCE WITH STATE REGULATIONS

State of Michigan Laws require that local unit not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets were adopted on a functional basis. During the year, the Township incurred expenditures within certain functions, which were in excess of the amounts appropriated.

TOWNSHIP OF OVID
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2005

	<u>Budgeted Amounts</u>		
	<u>Original</u>	<u>Final</u>	<u>Actual</u>
REVENUES			
Taxes	\$ 91,000	\$ 91,000	\$ 94,489
Tax administration fee	36,000	36,000	43,803
Special assessments	-	45,000	43,191
Licenses and permits	23,000	23,000	30,930
State shared revenue	160,000	160,000	160,737
Charges for services	500	500	2,175
Interest earned	4,500	4,500	6,045
Reimbursements	8,000	8,000	7,003
Other	200	200	1,677
Total revenues	323,200	368,200	390,050
EXPENDITURES			
General government	161,850	161,650	135,192
Public safety	90,050	90,050	74,344
Public works	24,000	89,000	96,229
Debt service	128,030	128,280	124,617
Total expenditures	403,930	468,980	430,382
Excess (deficiency) of revenues over expenditures	(80,730)	(100,780)	(40,332)
FUND BALANCE - BEGINNING	-	-	503,991
FUND BALANCE - ENDING	<u>\$ (80,730)</u>	<u>\$ (100,780)</u>	<u>\$ 463,659</u>

TOWNSHIP OF OVID
OTHER SUPPLEMENTAL INFORMATION
STATEMENT OF EXPENDITURES COMPARED TO BUDGET
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2005

	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
GENERAL GOVERNMENT			
Township board	\$ 48,200	\$ 38,866	\$ (9,334)
Supervisor	14,400	12,826	(1,574)
Elections	8,650	6,072	(2,578)
Assessor	25,700	22,811	(2,889)
Clerk	15,550	14,407	(1,143)
Board of review	2,050	824	(1,226)
Treasurer	25,600	25,416	(184)
Cemetery	21,500	13,970	(7,530)
Total General Government	161,650	135,192	(26,458)
PUBLIC SAFETY			
Fire protection	46,000	46,000	-
Zoning and building	44,050	28,344	(15,706)
Total Public Safety	90,050	74,344	(15,706)
PUBLIC WORKS	89,000	96,229	7,229
DEBT SERVICE			
Principal payments	123,980	123,980	-
Interest expense	4,300	637	(3,663)
Total Debt Service	128,280	124,617	(3,663)
Total expenditures	<u>\$ 468,980</u>	<u>\$ 430,382</u>	<u>\$ (38,598)</u>